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DOD FOR OSD/APSA SHINN/SEDNEY/HILL/BASALLA; STATE FOR
PM/SNA MCDONALD; USFJ FOR J00/J01/J4/J5

E.O. 12958: DECL: 11/14/2017
TAGS: [PREL](#) [MARR](#) [PGOV](#) [JA](#)
SUBJECT: MINISTRY OF FINANCE OBJECTS TO SMA OFFER

Classified By: CDA Joseph R. Donovan; Reasons: 1.4 (b/d)

¶1. (C) The Japanese government was surprised by the contents of a November 13 proposal from Deputy Secretary of Defense Minister England to Japanese Ambassador Kato to extend for the Special Measures Agreement (SMA) two years, according to MOFA Security Treaty Division Director Kazuhiro Suzuki. Suzuki said that the proposal contained in the non-paper was significantly different than what was discussed between Ambassador Schieffer and MOFA Vice Minister Shotaro Yachi on November 8 in Tokyo. Prime Minister Yasuo Fukuda will make a decision on whether to accept or reject the U.S. initiative and a formal response will be provided to Washington on November 14.

¶2. (C) Suzuki commented that MOFA was optimistic that the Prime Minister would accept the two-year rollover proposal before seeing the non-paper. However, the non-paper's explicit reference to bilateral agreement on changes to the Facilities Improvement Program (FIP) and other non-SMA Host Nation Support (HNS) initiatives and more ambiguous discussion of Japan's overall defense spending may have given the Ministry of Finance (MOF) ammunition to scuttle the deal.

¶3. (C) Suzuki asserted that Minister of Finance Fukushima Nukaga has been in repeated contact with the Prime Minister throughout the day urging the rejection of the proposal. Nukaga's arguments have centered on the difficulties in explaining the proposed deal to the Diet and public. At working levels, Suzuki said, MOF officials are threatening radical cuts in the SMA in response to the November 13 proposal.

¶4. (C) Separately, Ministry of Defense (MOD) Facilities Planning Division Director Masayoshi Tatsumi said that MOD expects that if the Prime Minister does accept the U.S. proposal, MOF will reduce funding from equipment procurement or other areas of the defense budget equal to its original target for HNS cuts (approximately USD 90 million).
DONOVAN